

Message Text

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TO AMEMBASSY VIENNA
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AMEMBASSY BRUSSELS

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USEEC

E.O. 11652N/A

TAGS: ETRD, EAGR, AU

SUBJECT: AUSTRIAN OILSEED PROGRAM

REF: (A) VIENNA 8195 (1977); (B) FAS REPORT AT 8005

1. REFERENCED REPORTS INDICATE THAT GOA IS CONSIDERING
IMPLEMENTATION OF A NEW OILSEED PROGRAM TO PROMOTE DOMESTIC
PRODUCTION OF RAPESEED AND SUNFLOWERSEED. PROGRAM WOULD
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PAGE 02 STATE 097289

INCLUDE A SPECIAL "REGULATORY" TAX APPLICABLE TO BOTH
IMPORTED AND DOMESTICALLY PRODUCED OILSEED PRODUCTS IN-
CLUDING OILSEED CAKE AND MEAL AND VEGETABLE OILS. TAX
PROCEEDS COULD BE USED TO FINANCE PLANTING INCENTIVES FOR
RAPESEED AND SUNFLOWERSEED.

2. EMBASSY IS REQUESTED TO CONVEY TO APPROPRIATELY HIGH

LEVEL GOA OFFICIALS OUR DEEP CONCERN OVER THE PROPOSED OILSEED PROGRAM WHICH WOULD LIMIT ACCESS TO AUSTRIAN MARKET OF U.S. SOYBEANS AND SOYBEAN PRODUCTS. APPROVAL OF PROGRAM BY GOA WOULD IN THE US VIEW VIOLATE IMPORTANT AUSTRIAN OBLIGATIONS TO THE US UNDER THE GATT AND WOULD ADVERSELY AFFECT OUR AGRICULTURAL TRADE RELATIONS.

3. IN CARRYING OUT REPRESENTATION EMBASSY SHOULD DRAW ON FOLLOWING POINTS:

-- ACCESS TO THE AUSTRIAN MARKET IS OF GREAT IMPORTANCE TO THE US. IN 1976, AUSTRIA CONSUMED AN ESTIMATED \$50 MILLION OF U.S. SOYBEAN PRODUCTS.

-- THE REGULATORY TAX AND RELATED MEASURES ARE OBVIOUSLY DESIGNED TO FOSTER DOMESTIC PRODUCTION AT THE EXPENSE OF IMPORTS. THUS, THEY WOULD BE INCONSISTENT WITH AUSTRIA'S GATT OBLIGATIONS, AND WOULD REPRESENT A BARRIER AGAINST U.S. ACCESS TO THE AUSTRIAN MARKET AND AN IMPAIRMENT OF OUR GATT BINDINGS.

-- THE PROPOSED PROGRAM IS STRIKINGLY SIMILAR TO PAST ATTEMPTS BY THE EUROPEAN COMMUNITY TO REGULATE IMPORTS OF OILSEED PRODUCTS. THE U.S. FORCEFULLY DEFENDED ITS INTERESTS AGAINST THE EC PROPOSALS AND WILL DO LIKEWISE WHENEVER SUCH MEASURES ARE TAKEN BY OTHER COUNTRIES.

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PAGE 03 STATE 097289

-- THE PROPOSED ACTIONS ARE NOT IN THE ECONOMIC INTEREST OF AUSTRIA. THEY WOULD RAISE PRICES OF FEED INGREDIENTS TO THE LEVEL OF INEFFICIENT SUBSTITUTE PRODUCTS, RESULTING IN HIGHER PRICES FOR AUSTRIAN CONSUMERS.

-- THE GOA CLAIM THAT THE ACTIONS WOULD BE TAKEN OUT OF CONCERN ABOUT RELIABILITY OF SUPPLY IS NOT VALID. THE U.S. HAS BEEN AND WILL REMAIN A RELIABLE SUPPLIER OF OIL-SEED PRODUCTS.

-- WE URGE THE GOA CAREFULLY TO CONSIDER THE IMPLICATIONS OF THE OILSEED PROGRAM, INCLUDING THE CERTAINTY OF A STRONG U.S. REACTION, AND TO RECONSIDER IT.

4. EMBASSY REQUESTED TO REPORT RESPONSE TO THIS DEMARCHE. IN ADDITION WE WOULD APPRECIATE EMBASSY'S ANSWERING FOLLOWING QUESTIONS TO THE EXTENT POSSIBLE. HOW DOES GOA INTEND TO FINANCE NEW RAPESEED PROGRAM IN ITS INITIAL STAGES IF, AS STATED IN REF B, PROPOSED TAX WOULD NOT BECOME EFFECTIVE FOR 2 TO 3 YEARS? WHAT INCENTIVES, IF ANY, WILL THERE BE FOR USERS TO CONSUME SURPLUS WHEAT DURING THIS PERIOD? WOULD TAX BE STANDARD OR WOULD IT

VARY BY COMMODITY? WOULD TAX BE APPLIED SIMULTANEOUSLY
TO ALL COMMODITIES. CHRISTOPHER

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